Determinants and Riskiness of Corporate Foreign Currency Lending: the Case of Hungary

Dzsamila Vonnák
CEU Közép-európai Egyetem, Közgazdaságtudományi Doktori Iskola
vonnak_dzsamila@ceu-budapest.edu

Abstract

I estimate the contribution of the currency mismatch to the severity of the current crisis in Hungary, where foreign currency lending was salient. I exploit the particular feature of the Hungarian economy, that there were two ex-ante relatively similar but ex-post quite different currencies used for FX lending. I show that _rms with a weaker balance sheet tend to pick the cheaper but riskier loan. I find evidence that some banks were particularly active in pushing the riskier loan. I also decompose the post crisis performance of firms and I find that both the exchange rate movements and the per se riskiness of firms contributed significantly to the worse performance of firms borrowing in the riskier currency.